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SUBJECT: UPDATE ON CASPIAN DELIMITATION: NOTHING NEW IN IRAN-AZERBAIJAN TALKS, HINTS OF PROGRESS WITH TURKMENISTAN

Classified By: DCM Jason P. Hyland, per 1.4 (b,d).

¶1. (U) On 10 August, Iranian Deputy Foreign Minister and Special Representative for Caspian Issues Mehdi Safari traveled to Baku for discussions with the GOAJ on the legal status of the Caspian Sea and the possibility of holding the next conference of littoral states in Baku. In addition, according to local media reporting, Safari gave President Aliyev a letter from Iranian President Ahmadinejad. The subject of the letter was not reported. While reporting on Aliyev and Safari's meeting focused on delimitation issues, a subsequent meeting between Safari and Azerbaijani Deputy Foreign Minister Khalaf Khalafov clearly involved a broader range of issues.

¶2. (U) Speaking to the issue of Caspian delimitation, Khalafov stated, "We've reached an agreement to discuss the existing proposals and attitudes once again. We are ready for bilateral visits and to continue discussions." Khalafov went on to say that he felt that the potential existed for both sides to "find a mutually acceptable diplomatic solution to the problem." For his part, Safari expressed satisfaction not only with Caspian delimitation discussions, but also with talks on Azerbaijan and Iran's growing bilateral relations and progress in "various political and economic fields." Safari urged expanded cooperation in the transit of energy (oil, gas, and electricity) between the two countries and to world markets (possibly Europe). He went on to express a strong desire for cooperation on, and the quick completion of, a North-South Corridor (also referred to as NOSTRAK), a transport corridor linking the Persian Gulf and Caspian Sea.

¶3. (C) In a meeting prior to Safari's visit, Azerbaijani Deputy Foreign Minister Khalafov told pol/econ chief that Azerbaijan's discussions with Iran over Caspian delimitation continued to be "difficult." He said that Iran continues to "politicize" the issue, making proposals that are "not mature" and "missing vital elements." As long as Iran continues to view the delimitation process as political, rather than goal-oriented, Khalafov said he does not expect prompt resolution of the issue. (Khalafov's comments following the meeting with Safari confirmed that nothing changed during the talks.)

¶4. (C) Khalafov said that Turkmenistan had been surprisingly practical and focused in the last round of multilateral Caspian delimitation talks that took place in Baku on the margins of the May Economic Cooperation Organization (ECO) Heads of State meeting. During the ECO meeting, Khalafov said that Turkmenistan made it clear it wanted to hold technical, bilateral discussions with Azerbaijan. Azerbaijan prefers to keep these discussions in the multilateral forum and will bring in technical experts to the next multilateral meeting, scheduled for the last quarter of 2006. While he noted that

Turkmenistan had not been a reliable partner in past delimitation talks, Khalafov believes Azerbaijan and Turkmenistan will be able to find "common ground" on Caspian delimitation if President Niyazov agrees with the technical recommendations. Khalafov commented that Turkmenistan's new-found, practical approach to Caspian delimitation appears to be rooted in a similarly new-found desire to attract greater international investment to Turkmenistan.

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